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Behavioral Economics: How and Why the Economy Works in 3 Minutes  
At some point in our distant past, a human who had food met another who had a spear. The two exchanged, and departed better off than when they met. Simple as it sounds, a highly evolved version of this concept is the reason we have planes, computers, and the internet today. Professor Anthony Davies of Duquesne University and Erika Davies of George Mason University explain.

<https://www.youtube.com/embed/q1vMdKk8-N0>

"Behavioral Economics, Ep. 1: How and Why the Economy Works in 3 Minutes" by  
the Institute for Humane Studies

### **Description**

At some point in our distant past, a human who had food met another who had a spear. The two exchanged, and departed better off than when they met. Simple as it sounds, a highly evolved version of this concept is the reason we have planes, computers, and the internet today. Professor Anthony Davies of Duquesne University and Erika Davies of George Mason University explain.

### **Exercise:**

**Problem:** Humans are highly predictable when

- a. they behave rationally.
- b. they behave irrationally.
- c. they behave individually.
- d. they behave in groups.

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### **Solution:**

- d. they behave in groups.

## Behavioral Economics: How Do Heuristics Help Distinguish Good Choices From Bad?

Why do we eventually stop searching for soulmates... or even shoes? How is it possible to make a rational purchase decision without seeing all the possible options? Professor Antony Davies and Erika Davies of George Mason University explain that humans have evolved low cost shortcuts, or heuristics, for increasing the odds of finding the better options.

<https://www.youtube.com/embed/fbYUyhXyxSs>

"Behavioral Economics, Ep. 2: How Do Heuristics Help Distinguish Bad Choices From The Good?" by the Institute for Humane Studies

### Description

Why do we eventually stop searching for soulmates... or even shoes? How is it possible to make a rational purchase decision without seeing all the possible options? Professor Antony Davies and Erika Davies of George Mason University explain that humans have evolved low cost shortcuts, or heuristics, for increasing the odds of finding the better options.

### Exercise:

#### Problem:

When the act of making a choice is costly, we use which of the following to help make decisions?

- a. Heuristics.
- b. Rational calculation.
- c. Social proof.
- d. Random selection.

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#### Solution:

- a. Heuristics.

## Behavioral Economics: Why Do We Make Bad Choices?

Making rational choices is expensive because it takes time and energy to collect the information necessary for rational thought and to apply rational thinking to the information we gather. We often rely on heuristics to help us make decisions more quickly, but sometimes we rely too heavily on heuristics. Professor Antony Davies of Duquesne University and Erika Davies of George Mason University explain how heuristics often lead to cognitive biases.

<https://www.youtube.com/embed/3REUuJCIWRk>

"Behavioral Economics, Ep 3: Why Do We Make Bad Choices?" by the Institute for Humane Studies

### Description

Making rational choices is expensive because it takes time and energy to collect the information necessary for rational thought and to apply rational thinking to the information we gather. We often rely on heuristics to help us make decisions more quickly, but sometimes we rely too heavily on heuristics. Professor Antony Davies of Duquesne University and Erika Davies of George Mason University explain how heuristics often lead to cognitive biases.

### Exercise:

**Problem:** When used inappropriately, heuristics can result in

- a. overlooked evidence.
- b. slower learning.
- c. unfair outcomes.
- d. cognitive biases.

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### Solution:

- d. cognitive biases.

## Behavioral Economics: Should Someone Nudge You Into Making A Decision?

Free market economists argue that people should be left alone to make decisions for themselves, but sometimes, specialized knowledge is required to make a decision that most people just don't have. Is there a way to encourage people to make what is, for most of them, the right choice without forcing all of them to make that choice? The answer is what economists call nudging. Professor Antony Davies of Duquesne University and Erika Davies of George Mason University explain.

<https://www.youtube.com/embed/ATmoKKPraK4>

"Behavioral Economics, Ep. 4: Should  
Someone Nudge You Into Making A  
Decision?" by the Institute for Humane  
Studies

### Description

Free market economists argue that people should be left alone to make decisions for themselves, but sometimes, specialized knowledge is required to make a decision that most people just don't have. Is there a way to encourage people to make what is, for most of them, the right choice without forcing all of them to make that choice? The answer is what economists call nudging. Professor Antony Davies of Duquesne University and Erika Davies of George Mason University explain.

### Exercise:

#### Problem:

Banning experimental drugs for the terminally ill is an example of

- a. a correct nudge.
- b. an incorrect nudge.
- c. a rational policy.
- d. an unpopular policy.

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**Solution:**

b. an incorrect nudge.

Behavioral Economics: What You Need to Know About Public Choice Economics gives us insight as to how humans behave when our unlimited desires collide with our limited abilities. Public choice is a field of economics that takes what we understand about human behavior and applies that knowledge to humans who work in the public sector. Professor Antony Davies of Duquesne University and Erika Davies of George Mason University explain some of the major lessons we can learn from public choice economics.

<https://www.youtube.com/embed/FcLGUHXz78I>

"Behavioral Economics Ep. 5: What You Need to Know About Public Choice" by the Institute for Humane Studies

### **Description**

Economics gives us insight into how humans behave when our unlimited desires collide with our limited abilities. Public choice is a field of economics that takes what we understand about human behavior and applies that knowledge to humans who work in the public sector. Professor Antony Davies of Duquesne University and Erika Davies of George Mason University explain some of the major lessons we can learn from public choice economics.

### **Exercise:**

**Problem:** Public Choice theory does NOT study:

- a. the behavior of voters.
- b. the behavior of bureaucrats.
- c. the behavior of politicians.
- d. the behavior of the private sector.

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### **Solution:**

- d. the behavior of the private sector.